

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2497 – HB 3533

March 22, 2010

SUMMARY OF AMENDMENTS (014852, 015230, 015698): Amendment 014852 deletes the language of the original bill; imposes a statewide prepaid wireless emergency telephone service charge on prepaid wireless subscribers equal 53 cents per retail transaction; requires sellers of prepaid wireless telecommunications services to remit collected service charge revenue to the Department of Revenue (DOR); allocates all service charge revenue to the Tennessee Emergency Communication Board (TECB) for the purpose of the Statewide Enhanced 911 Service, except for a three percent commission to be retained by sellers of prepaid wireless services, and a two percent commission to be retained by DOR for administrative costs. Amendment 015230 rewrites the language of two sections of amendment 014852, but makes no substantial or fundamental changes. Amendment 015698 adds new language requiring the E911 Service Board of Directors to notify DOR about any future rate change within seven business days of the rate change.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$1,748,800/Recurring/Earmarked for E911 Service
\$127,500/Recurring/Department of Revenue

Increase State Expenditures - \$89,100/One-Time
\$54,200/Recurring

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

**Increase State Revenue – \$1,772,400/Recurring/Earmarked for E911 Service
\$128,000/Recurring/Department of Revenue**

**Increase State Expenditures - \$61,900/One-Time
\$54,200/Recurring**


Assumptions applied to amendments:

- The number of prepaid wireless retail transactions remains constant in subsequent years.

- According to the Federal Communications Commission's Local Competition Report, there are 5,790,638 wireless subscribers in Tennessee, and 17.2 percent (995,990) of those are prepaid wireless subscribers.
- The number of retail transactions is based on each subscriber purchasing an average of one item every two years (0.5 items per year) that provides prepaid wireless telecommunications service; and paying 12 monthly payments per year for prepaid wireless service. Therefore, the number of retail transactions is estimated to be 12.5 per subscriber per year.
- The number of retail transactions is estimated to be 12,449,900 per year (995,990 subscribers x 12.5 retail transactions = 12,449,875).
- Service charge fee revenue is estimated to be \$6,598,400 per year (12,449,900 retail transactions x \$0.53 = \$6,598,447).
- Sellers of prepaid wireless services will retain three percent for collection from subscribers (\$198,000); the remittance to DOR will be approximately \$6,400,400 per year (\$6,598,400 - \$198,000).
- DOR will retain two percent of remitted service charge revenue (\$128,000) to cover increased administrative costs; the remaining \$6,272,400 will be transferred to the TECB for use in accordance with the Statewide Enhanced 911 Service.
- Pursuant to Tenn. Code Ann. § 7-86-108(a)(1)(B), the state currently collects service charge fee revenue from sellers of wireless service, including prepaid wireless service. According to the Department of Commerce and Insurance, the TECB currently receives approximately \$4,500,000 for the Statewide Enhanced 911 Service from the current service fee imposed on prepaid wireless services. As a result, the net increase of service fee revenue to the TECB is estimated to be \$1,772,400 per year (\$6,272,400 - \$4,500,000 = \$1,772,400).
- Based on information provided by DOR, the increase to Department expenditures as a result of administration is estimated to be \$54,200 recurring and \$61,900 one-time.
- No change to state revenue or expenditures as a result of reporting requirements.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/mnc